

P90

Diploma in Insurance

Unit P90 – Cargo and goods in transit insurances

April 2017 examination

Instructions

- Three hours are allowed for this paper.
- **Do not begin writing until the invigilator instructs you to.**
- **Read the instructions on page 3 carefully before answering any questions.**
- Provide the information requested on the answer book and form B.
- You are allowed to write on the inside pages of this question paper, but you must **NOT** write your name, candidate number, PIN or any other identification anywhere on this question paper.
- The answer book and this question paper must **both be handed in personally by you** to the invigilator before you leave the examination room. **Failure to comply with this regulation will result in your paper not being marked and you may be prevented from entering this examination in the future.**

Unit P90 – Cargo and goods in transit insurances

Instructions to candidates

Read the instructions below before answering any questions

- **Three hours** are allowed for this paper which carries a total of 200 marks, as follows:

Part I	14 compulsory questions	140 marks
Part II	2 questions selected from 3	60 marks

- You should answer **all** questions in Part I and two out of the three questions in Part II.
- You are advised to spend no more than two hours on Part I.
- Read carefully all questions and information provided before starting to answer. Your answer will be marked strictly in accordance with the question set.
- The number of marks allocated to each question part is given next to the question and you should spend your time in accordance with that allocation.
- You may find it helpful in some places to make rough notes in the answer booklet. If you do this, you should cross through these notes before you hand in the booklet.
- It is important to show each step in any calculation, even if you have used a calculator.
- If you bring a calculator into the examination room, it must be a silent, battery or solar-powered non-programmable calculator. The use of electronic equipment capable of being programmed to hold alphabetic or numerical data and/or formulae is prohibited. You may use a financial or scientific calculator, provided it meets these requirements.
- Answer each question on a new page. If a question has more than one part, leave six lines blank after each part.

PART I

Answer ALL questions in Part I

Note form is acceptable where this conveys all the necessary information

1. State **three** circumstances in which cover remains in force under the Duration Clause of the Institute Cargo Clauses (A), (B) and (C) 1/1/09. (6)

2. Identify the title and date of the specialist Institute Clauses for:
 - (a) oil; (2)
 - (b) coal; (2)
 - (c) seeds; (2)
 - (d) timber. (2)

3. You are an insurance broker for a client wishing to claim against a CMR carrier for damage to their goods which arose during a sea crossing by a RO/RO ferry, when severe storms were encountered.

Outline, with reasons:
 - (a) the conditions that would need to be met for your client to be successful in their claim; (9)
 - (b) the compensation that would be payable if the carrier is found to be liable. (3)

4. Calculate, **showing all your workings**, the carrier's monetary liabilities in Special Drawing Rights (SDRs) for 30 tonnes, in weight, of machinery damaged whilst being carried under the following conditions of carriage or contract of affreightment:
 - (a) CMR; (4)
 - (b) CIM; (4)
 - (c) Hague-Visby. (4)

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5. (a) Under the Incoterms 2010® 'Delivery at Terminal', describe the duties of:
- (i) the seller; (8)
 - (ii) the buyer. (2)
- (b) Identify **three** actions the buyer must undertake in order to get his goods released after discharge from the ship at the port of arrival. (3)
6. List **ten** risks which are not covered by Institute Cargo Clauses (C) 1/1/09 but which are covered under Institute Cargo Clauses (A) 1/1/09. (10)
7. You are a junior claims handler for an insurance company that has received a claim for damage to goods during the course of a marine voyage. The goods had originally been sold under the Incoterms 2010® Cost, Insurance & Freight and the minimum insurance required to satisfy that Incoterm had been arranged. The policy of insurance was assigned to the buyer upon the sale of the goods. The claim is for the partial loss of the goods due to washing overboard in heavy seas.
- (a) Identify the documents you will need to admit the claim. (4)
 - (b) Explain, with reasons, whether the claim is admissible or not. (5)
8. (a) List **five** forms in which copper and copper alloy products are shipped. (5)
- (b) Outline the risk profiles of copper and copper alloy products when in transit. (7)
9. Describe briefly the purpose of:
- (a) condemnation certificates; (3)
 - (b) a ship's temperature data log; (1)
 - (c) pre-shipment surveys. (5)

QUESTIONS CONTINUE OVER THE PAGE

10. You are an insurance broker for Cogs Wheels Ltd who has sent gear wheels from the UK to Australia. However, the voyage ended at Singapore because the shipping line had gone into receivership during the voyage, forcing the master of the ship to divert to Singapore, where the crew and officers were paid off and the contracts of affreightment terminated.

Describe the actions your client should take in regard to the marine cargo policy covering the gear wheels, explaining the possible outcome if they do not take the correct action.

(10)

11. (a) Outline the purpose of the Institute Classification Clause 01/01/2001 in regard to the cover and premium rates under a marine cargo policy.

(2)

(b) State **four** roles of classification societies.

(4)

12. Bulk Food Carriers Ltd are contracted by Fruit Growers Ltd to carry a consignment of eight tonnes of strawberry jam in bulk in one of its road tankers to the premises of Jams plc, under the Road Haulage Association Conditions of Carriage (RHA).

Upon arrival, the driver is directed by gatehouse staff to deliver the strawberry jam into silo number 26 but delivers it to silo number 36, which already contains a consignment of raspberry jam. Both goods are contaminated and cannot be used in Jams plc's processes and Jams plc demand full compensation for the value of both jams.

The haulage contractor's liability insurers of Bulk Food Carriers Ltd reject the claim on the grounds of the gatehouse staff being negligent in causing the driver to deliver the strawberry jam into the wrong silo.

(a) State, with reasons, whether the insurers are right or wrong in their rejection of the claim.

(7)

(b) Calculate and explain the level of compensation that should be paid by Bulk Food Carriers Ltd, under the RHA Conditions of Carriage 2009, if they are held liable for this loss.

(7)

13. An importer has just received a consignment of clothing from a supplier in India. Upon opening the container, it is evident that water has entered the container and has soaked some of the consignment. In addition, there is a distinct smell of mould.

Describe the actions the importer is expected to take under Institute Cargo Clauses (A) 1/1/09 to keep the cost of the claim to the minimum. (11)

14. List the duties of the **buyer** under the following Incoterms 2010®:

- (a) Ex Works; (2)
- (b) Free On Board; (2)
- (c) Cost and Freight; (2)
- (d) Cost, Insurance and Freight. (2)

QUESTIONS CONTINUE OVER THE PAGE

PART II**Answer TWO of the following THREE questions****Each question is worth 30 marks**

- 15.** Panda Seats Ltd is a UK-based manufacturer of garden furniture, with manufacturing premises in an overseas country. The assured's proposal to insure the stockthroughput risk, including the manufacturing premises overseas, was accepted by XYZ Insurance Company based upon the following information.

Panda Seats Ltd reveals that the premises are newly constructed, and insulated to satisfy environmental requirements. The construction of these premises is of an exposed steel frame with walls and the roof of profile metal cladding.

Following a major fire the post-loss survey report reveals that:

- plastics were used substantially in the manufacturing process;
- the insulation contributed substantially to the spread of the fire;
- heat from the fire caused the exposed steel frame to collapse.

XYZ Insurance Company is inclined to reject the claim on the grounds of material non-disclosure arguing that the:

- use of plastics should have been revealed by the assured;
- assured should have revealed the existence of insulated material, it being well known that this type of material would aid the spread of any fire;
- exposed steel frames should have been protected against heat by the use of concrete cladding, or a similar material.

As the claims adjuster handling the claim, prepare a report to XYZ Insurance Company, discussing the points to be considered when deciding whether the claim should be accepted or declined.

(30)

- 16.** Medicines plc supplies various pain relief drugs to chemists in the UK and overseas for sale to the general public. They revealed this description of their business when proposing to Insurance Company ABC for marine cargo insurance. Medicines plc have just made a claim for the theft of £25,000 worth of morphine but Insurance Company ABC has rejected the claim on the grounds of the non-disclosure of the supply of theft attractive prescription drugs. Insurance Company ABC say Medicines plc had a duty to reveal the supply of such drugs because they would not usually be sold to the general public without a prescription signed by a qualified doctor.

Explain, with reference to the Insurance Act 2015, the legal position of Medicines plc and Insurance Company ABC in regard to this claim, stating whether the claim should be admitted by Insurance Company ABC or continue to be rejected.

(30)

17. Transport plc are contracted to deliver a consignment of shoes from Italy to the UK premises of Soles Ltd. Upon arrival at the premises, two men approach the driver of Transport plc and advise him that they have authority to unload the goods into a shop next door to Soles Ltd which, they say, is being used as a temporary receiving unit whilst the storage area of Soles Ltd's premises is being cleaned. The receptionist inside the premises of Soles Ltd confirms that the driver can deliver the shoes to the premises next door. Upon delivering the shoes, the driver receives a clean signature from one of the men who approached him upon arrival before he departs.

An hour later he receives a call from his manager as Soles Ltd are complaining that the shoes have not been delivered to them. It subsequently transpires that the men outside the premises of Soles Ltd, and the receptionist inside, were not employees of Soles Ltd nor were they authorised to take delivery of the consignment.

Soles Ltd make a claim against Transport plc, alleging that the driver's conduct was the only cause of the loss by deception. They reject any conditions of carriage and instead demand maximum compensation for the value of the consignment and the loss of profit they would have received from the sale of shoes to their customers.

Discuss whether Transport plc are liable for this claim, making reference to the following:

- the terms of carriage under which the goods were carried;
- why those terms of carriage will apply;
- whether Soles Ltd can reject the conditions of carriage;
- the headings under which Soles Ltd may make its claim;
- any defences available to Transport plc in defending the claim from Soles Ltd.

(30)

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